



F E D E R A L
P I O N E E R

Federal Pioneer Limited

1972 Annual Report

The annual meeting of the shareholders of Federal Pioneer Limited is to be held in the Wilket Creek Room of the Inn on the Park, Eglinton Avenue East at Leslie Street, Toronto, Ontario, Canada, on Monday, the 14th day of May, 1973 at the hour of 11 :00 o'clock in the forenoon (E.D.S.T.)

ELECTRICAL SHOWCASE '73

Our display at "Electrical Showcase '73" – the largest trade show ever staged by the Canadian Electrical Industry.



Directors

Benjamin W. Ball
John B. Clements, Q.C.
Edward W. Darby
Martin Horwitz
Edwin Jacobson
Richard Noonan
Harold W. Thomson
Jacob S. Vanderploeg
Jack Wilder

Officers

Richard Noonan
Chairman of the Board
Benjamin W. Ball
President and Chief Executive Officer
A. Gordon Daley
Vice-President
B. J. Ferreira
Vice-President
Harry L. Livingstone
Vice-President
Thomas Shkordoff
Vice-President
Kenneth J. Thompson
Vice-President
Edward W. Darby
Secretary and Treasurer
Alan D. Amos
Comptroller and Assistant Secretary

Financial Highlights

	Year ended December 31st 1972	Six months ended December 31st 1971	Year ended June 30th		
			1971	1970	1969
Net sales.....	55,265,422	25,063,376	50,815,670	39,272,817	36,904,989
Income taxes paid or payable.....	2,919,597	897,000	2,469,000	1,870,000	1,880,000
Net earnings after taxes and before extraordinary items.....	2,970,414	856,988	2,162,546	1,627,661	1,572,971
Net earnings after extraordinary items	2,976,626	673,770	2,162,546	1,627,661	1,572,971
Percent of sales.....	5.4	2.7	4.3	4.1	4.3
*Earnings per share before extra- ordinary items.....	2.70	.79	2.04	1.51	1.47
*Earnings per share after extraordinary items.....	2.71	.60	2.04	1.51	1.47
Number of class A and class B shares outstanding.....	1,061,493	1,043,953	1,002,501	990,145	979,115
Dividends declared:					
1st preference shares.....	115,799	62,615	132,443	137,742	143,738
Class A shares.....	392,188	171,786	312,311	275,732	228,444
Class B shares.....	227,443	11,528	260,136	291,272	323,186
Property, plant and equipment, net. .	7,555,796	7,592,686	7,404,162	7,282,629	6,818,067
Working capital.....	15,484,888	14,031,679	13,305,024	12,013,808	11,542,611

*Calculated after giving effect to the payment of First Preference Share dividends and upon the weighted average number of shares outstanding during the year.

Federal Pioneer Limited

Report to the Shareholders

The operating results of the company attained new records for the year ended December 31, 1972, in regard to both sales and net profit, and showed also the highest return on invested capital for many years. Although there was a low level of activity in the field of industrial construction, an important segment of the company's activities, the demand for products for the utility as well as the residential construction markets was at a very high level.

The general outlook for the electrical industry appears to be favourable because of the increased demand for energy from all sources which is growing in Canada at an annual rate of approximately four per cent. The annual growth rate in the electrical sector of the energy industry is approximately eight per cent and the electrical participation should continue at a substantially greater rate of growth than that of the energy field generally. In addition, public concern respecting ecology, pollution, conservation and the rapid consumption of non-renewable assets, points more and more to an accelerated growth of the electrical sector. Indeed, as more pollution controls and corrections are introduced, more kilowatts of electricity will be consumed. It is anticipated that before the end of the century more than half of the electricity produced in Canada will be generated from nuclear sources and with the current developments in this field, there would seem to be no likelihood of a shortage of raw material. It is considered that, as compared to other forms of energy, the production of electricity through nuclear

sources will have the least detrimental effect on the environment.

By supplementary letters patent granted to the company on November 30, 1972, the name of the company was changed from FPE-Pioneer Electric Limited to Federal Pioneer Limited. This change in name has assisted in a wide variety of ways in identifying the company to its public and in maintaining the identity of the former component companies. As well, it has helped our marketing personnel in consolidating and combining their efforts to a greater degree with all products, plants, stationery and advertising bearing the same name.

In the distribution products field a new and very attractive Pacesetter line of Stab-lok enclosures was introduced during the year, thus assuring the continuation of the company's leading position in this important product range. A new design of baseboard heating units was also successfully marketed. Other new products included the Solid State Overcurrent Relay line and a new Lifeguard Panel for greater protection against dangerous or possibly lethal ground faults. In keeping with these developments an attractive display, including an audio visual presentation, was prepared for showing across Canada in the industry promotion known as "Electrical Showcase '73". This is the largest industrial trade show ever staged by the electrical industry in Canada and has been presented in Moncton, Montreal, Winnipeg, Vancouver and Toronto. "Electrical Showcase '73" is illustrating the response of the industry to the challenges of the 70's. Your company is one of the major exhibitors in the show.

The Brandon, Manitoba plant was destroyed by fire last year. A new plant, constructed to specifications, has been leased in Brandon and will be in full production before receipt of this report. An extension has been planned and approved for the Toronto Waterman Avenue plant and will be completed in the first half of 1973. The

plant at Truro, Nova Scotia was officially opened in September, 1972 and is now in full production.

The power equipment section of the company experienced significant growth during the year and major orders were received for all classes of equipment. Large size transformers of extra high voltage for both AC and DC transmission were shipped to several Canadian utilities and orders for future production were entered during the year. Of great interest was a contract with the British Columbia Hydro and Power Authority for thirteen 500,000 volt 157 MVA single phase power transformers for the Mica Dam project. This order is believed to be one of the largest ever awarded to a single supplier in Canada for this class of product. One of the major considerations in awarding this order was the company's record of performance and quality on a previous order for nine similar transformers for the Portage Mountain project.

Fabrication of this sophisticated equipment requires very careful quality control and the company has designed and installed a quality assurance system which demands a high standard of workmanship from every employee and which has been an outstanding success. As a result, the Winnipeg plant did not experience a single failure on test during the twelve month period and this achievement is a great tribute to the workmen and to the efficacy of the plan.

Improvements were made during the year at the plant in Red Deer, Alberta, by construction and rearrangement enabling an increase in output of about fifteen per cent. In addition, revisions were made internally in the larger Winnipeg plant and approximately 15,000 square feet of floor space was added thereby enabling an even greater percentage increase in output.

In an effort to improve the environment utilities have become very concerned with lowering the noise level of transformers. This company has, through the use of acoustical absorption materials, developed two types of acoustical barriers which have been used successfully on several transformers during the year and have resulted in substantial noise level reduction.

With respect to export sales, volume remained at a satisfactory level in 1972 and indications are that 1973 will show an improvement.

Operations in England are profitable and sales are growing satisfactorily. Due to local economic conditions

the Australian economy experienced a pause, but subsequent adjustments make the prospects in that area more encouraging.

The outlook for 1973 at this time seems to indicate an improvement over 1972. The high level of housing starts, while down slightly from 1972, will apparently be at a satisfactory level. Utility construction is proceeding on a broad scale and the indicated purchases of secondary manufacturers should increase activity in this particular market.

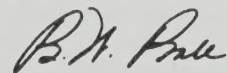
The company's products are regularly specified by most consulting engineers and the electrical distributors across Canada have shown strong support for them.

It is with great regret that your Directors announce the death of Mr. T. P. N. Jaffray early in April. Mr. Jaffray had been a member of the Board since 1964 and his advice and experience will be greatly missed.

The employees of the company, at all levels, have performed in a very satisfactory fashion and the success of activities in 1972 is due largely to their loyalty and industry.

Submitted on behalf of the Board of Directors.

April, 1973.



B. W. Ball,
President and Chief Executive Officer.

Consolidated statement of earnings

	Year ended December 31, 1972	Six months ended December 31, 1971
Net sales	\$55,265,422	\$25,063,376
Earnings before deducting the undernoted items	\$ 7,493,557	\$ 2,452,800
Deduct:		
Depreciation	951,680	329,747
Amortization of patents	6,619	3,185
Amortization of debenture discount and expenses	13,229	4,854
Interest on long-term debt	300,025	150,827
Remuneration paid to directors and senior officers	331,993	210,199
	<u>1,603,546</u>	<u>698,812</u>
Earnings before income taxes and extraordinary items	5,890,011	1,753,988
Income taxes (Note 6)	2,919,597	897,000
Earnings before extraordinary items	2,970,414	856,988
Extraordinary items less related income taxes (Note 9)	6,212	(183,218)
Net earnings for the period	<u>\$ 2,976,626</u>	<u>\$ 673,770</u>
Earnings per Class A and Class B share (Note 10):		
Before extraordinary items	\$2.70	\$.79
After extraordinary items	2.71	.60
Fully diluted earnings per share (Note 10):		
Before extraordinary items	2.40	.71
After extraordinary items	<u>2.41</u>	<u>.56</u>

Consolidated statement of retained earnings

	Year ended December 31, 1972	Six months ended December 31, 1971
Balance at beginning of period	\$11,558,475	\$11,130,634
Add: Net earnings for the period	2,976,626	673,770
	<u>14,535,101</u>	<u>11,804,404</u>
Deduct:		
Dividends declared –		
On 5½% first preference shares – \$2.75 per share (half-year 1971 – \$1.375)	115,799	62,615
On Class A shares – 56¢ per share (half-year 1971 – 28¢)	392,188	171,786
On Class B shares – 56¢ per share (half-year 1971 – 28¢)	227,443	11,528
	<u>735,430</u>	<u>245,929</u>
Balance at end of period	<u>\$13,799,671</u>	<u>\$11,558,475</u>

Auditors' Report

To the Shareholders of
Federal Pioneer Limited:

We have examined the consolidated balance sheet of Federal Pioneer Limited and subsidiary companies as at December 31, 1972 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles which, except for the change with which we concur in providing for depreciation as described in Note 3, have been applied on a basis consistent with that of the preceding period.

Toronto, Ontario
March 9, 1973

(Signed) Price Waterhouse & Co.
Chartered Accountants

Consolidated balance sheet

	December 31	
	1972	1971
ASSETS		
Current assets :		
Cash	\$ 1,475,821	\$ 29,605
Accounts receivable	11,697,493	12,679,266
Receivable from affiliated companies	33,150	594,191
Inventories (Note 4)	15,302,808	15,957,111
Tender deposits	587,219	164,191
Prepaid expenses and other deposits	445,920	527,737
	<u>29,542,411</u>	<u>29,952,101</u>
Cash held by trustee (Note 5)	895,591	—
Fixed assets, at cost :		
Land	471,452	441,801
Buildings	5,293,854	5,126,743
Machinery and equipment	7,843,618	7,415,793
	<u>13,608,924</u>	<u>12,984,337</u>
Less : Accumulated depreciation	6,053,128	5,391,651
	<u>7,555,796</u>	<u>7,592,686</u>
Excess of cost of shares of subsidiaries over net book value	2,032,519	2,032,519
Patents	54,777	59,258
Unamortized debenture discount and expenses	135,652	148,881
	<u>\$40,216,746</u>	<u>\$39,785,445</u>
LIABILITIES		
Current liabilities :		
Bank indebtedness —		
Operating loans and overdrafts	\$ 905,735	\$ 3,316,178
Tender deposit loans	211,292	119,750
Notes payable — guaranteed by bank	2,508,000	3,071,000
Accounts payable and accrued liabilities	6,020,630	6,556,415
Payable to affiliated companies	697,986	1,600,433
Income and other taxes payable	2,682,083	881,271
Dividends payable	131,797	125,375
Provisions for losses (Note 9)	900,000	250,000
	<u>14,057,523</u>	<u>15,920,422</u>
Deferred income taxes (Note 6)	570,800	463,050
Long-term debt, less current portion (Note 7)	4,770,061	4,805,039
Minority shareholders' equity in subsidiary companies (Note 1)	24,859	44,627
SHAREHOLDERS' EQUITY		
Capital stock (Note 8) :		
First preference shares \$50 par value, voting issuable in series —		
Authorized — 160,846 shares of which 40,846 shares are designated as 5½% cumulative convertible first preference shares, Series A		
Outstanding — 40,846 first preference shares, Series A (1971 — 45,231 shares)	2,042,300	2,261,550
Class A shares without nominal or par value, voting —		
Authorized — 3,156,616 shares		
Outstanding — 705,385 shares (1971 — 632,245 shares)	4,674,187	4,411,636
Class B shares without nominal or par value, voting —		
Authorized — 1,500,000 shares of which 222,400 have been issued and converted to Class A shares		
Outstanding — 356,108 shares (1971 — 411,708 shares)	277,345	320,646
	<u>6,993,832</u>	<u>6,993,832</u>
Retained earnings	13,799,671	11,558,475
	<u>20,793,503</u>	<u>18,552,307</u>
	<u>\$40,216,746</u>	<u>\$39,785,445</u>
Approved on behalf of the Board :		
	(Signed) B. W. Ball, Director	(Signed) E. W. Darby, Director

Notes to consolidated financial statements December 31, 1972

1. Principles of consolidation :

(a) The accompanying financial statements include all of the Company's subsidiaries. One domestic and six foreign subsidiaries have fiscal years ending September 30 and their accounts are included as of that date.

(b) The accounts of the Australian, Caribbean, English and South African subsidiaries have been translated to Canadian dollars as follows :

Current assets and liabilities—at the exchange rate prevailing on December 31, 1972.

Fixed assets, shareholders' equity and depreciation expense—at historical rates prevailing at dates of acquisition.

Revenue and expenses other than depreciation—at the average rate during the fiscal period.

(c) Preferred shares of Eastech Limited, a subsidiary company, with a par value of \$9,500 are held by minority shareholders.

(d) The Company holds 946,986 common shares of FPE Australia Pty. Limited. It has an option to acquire the remaining 21,125 outstanding shares from Federal Pacific Electric Company for a nominal amount. For accounting purposes this subsidiary is treated as though it were wholly-owned.

(e) The Company has a 95% interest in the shares of Federal Electric (Holdings) Limited. Minority shareholders' interests in a South African subsidiary of Federal Electric (Holdings) Limited amount to \$15,359.

2. Change of Name :

By supplementary letters patent dated November 30, 1972, the Company changed its name from FPE-Pioneer Electric Limited to Federal Pioneer Limited.

3. Change in application of accounting principles :

On December 30, 1971 the Company purchased the assets and business of most of its domestic subsidiaries and during 1972 carried on their operations as divisions. Prior to 1972, the rates and methods used by the domestic subsidiaries to provide for depreciation varied. From January 1, 1972 the Company has provided depreciation consistently on the diminishing balance basis for domestic operations. The change to consistent rates and method has reduced net earnings for the year by approximately \$86,000.

4. Inventories :

Inventories are valued at the lower of cost and realizable value, less progress payments received from customers, as follows :

	December 31, 1972	December 31, 1971
Raw materials	\$ 5,375,337	\$ 5,045,552
Work in process	8,286,216	9,149,388
Finished goods	2,212,183	1,762,171
	15,873,736	15,957,111
Less—progress payments	570,928	—
	<u>\$15,302,808</u>	<u>\$15,957,111</u>

5. Cash held by trustee :

Pursuant to provisions of the Trust Deed providing for the issuance of debentures, the proceeds of insurance claims received on the destruction of the building and equipment at Brandon, Manitoba are held by the Trustee for the debenture holders. These funds may be released to the Company for the payment or reimbursement of the cost of replacing the property destroyed, otherwise they are to be applied to the purchase or redemption of debentures.

6. Income taxes :

The provision for income taxes includes :

	1972	1971
Current taxes	\$ 2,924,847	\$ 879,000
Deferred taxes	(5,250)	18,000
	<u>\$ 2,919,597</u>	<u>\$ 897,000</u>

The provision for deferred income taxes is in respect of capital cost allowances claimed for income tax purposes in excess of the allowable depreciation charges in the accounts, and other timing differences in the calculation of taxes payable.

7. Long-term debt :

	December 31, 1972	December 31, 1971
6¼% secured sinking fund debentures, Series A maturing April 15, 1987, with annual sinking fund payments (\$111,000 in 1973 and thereafter gradually increasing to \$267,000 in 1986). The balance of \$1,505,000 is payable at maturity.	\$ 4,008,000	\$ 4,112,000
Loan of subsidiary payable August 10, 1981 without interest until August 10, 1976 and at 5% thereafter	450,000	450,000
6¼% mortgage loan, repayable in monthly instalments, maturing in 1989	308,277	317,823
8¼% mortgage loan of subsidiary, repayable in monthly instalments to 1982	92,567	—
7½% mortgage loan of subsidiary, maturing in 1987. Monthly instalments have been suspended pending sale of the mortgaged property.	38,762	38,762
	4,897,606	4,918,585
Amount due within one year	127,545	113,546
Amount due after one year	<u>\$ 4,770,061</u>	<u>\$ 4,805,039</u>

The 6¼% secured sinking fund debentures, Series A, are secured by a Deed of Trust and Mortgage which, inter alia, provides for dividend restrictions under certain conditions. The financial position of the companies is such that these restrictions are not applicable at this time.

8. Capital stock :

5½% cumulative convertible first preference shares, Series A :

Each first preference share, Series A is convertible into four Class A shares up to and including January 15, 1979. The conversion rate is subject to adjustment to protect the conversion privilege against dilution in certain events. The first preference shares, Series A are redeemable at a premium of 3½% until January 15, 1973 and 2% thereafter.

Class A shares :

Employees of the Company have options which expire March 10, 1974 to purchase 15,400 Class A shares at \$22 a share.

Class A shares are reserved as follows :

(a) for the possible conversion of the outstanding Class B shares	356,108 shares
(b) to satisfy outstanding options	15,400 shares
	<u>371,508 shares</u>

Class B shares :

55,600 Class B shares may be converted during each dividend year into Class A shares on a share for share basis provided certain conditions have been met with respect to earnings and payment of Class A share dividends. After the Class A shares have received dividends aggregating 56 cents per share and the Class B shares have received dividends aggregating 5.6 cents per share in any dividend year, the Class B shares are entitled to receive additional dividends aggregating 50.4 cents per share before any further dividends are paid on the Class A shares. Additional dividends paid in excess of the 56 cents per share on both classes of shares are to be shared equally on a share for share basis.

Changes in capital stock during the year :

4,385 5½% cumulative convertible first preference shares, Series A were converted into 17,540 Class A shares at the stated value of \$219,250. This conversion reduces both the authorized and outstanding first preference capital stock by 4,385 shares and increases both the authorized and outstanding Class A capital stock by 17,540 shares.

55,600 Class B shares held by Federal Pacific Electric Company were converted into Class A shares in accordance with the conversion privilege referred to above.

9. Extraordinary items :

Extraordinary items in the consolidated statement of earnings comprise :

	1972	1971
Excess of proceeds of fire insurance claims and sales of remaining fixed assets over book values of assets less applicable current and deferred income taxes of \$203,000 in 1972 ; \$18,500 in 1971	\$ 656,212	\$ 66,782
Provision for loss on planned disposal of certain operations	(650,000)	—
Provision for possible loss on investment in subsidiary	—	(250,000)
	<u>\$ 6,212</u>	<u>\$ (183,218)</u>

10. Earnings per share :

The calculations of earnings per share shown in the consolidated statement of earnings are based on the weighted average number of shares outstanding during each fiscal period. Dividends declared on the preference shares were deducted from consolidated earnings for purposes of the calculations.

The calculations of fully diluted earnings per share assume the conversion of all preference shares (Note 8) and the issue of shares reserved for the exercise of options at the beginning of each period and that the funds received on the exercise of the options (\$360,800) had been invested to produce an annual return of 7% less applicable income taxes.

11. Lease and option :

The Company has entered into an agreement to lease premises for a term of twenty years, to April 30, 1990, at an annual rental of \$92,500. By additional annual payments of \$8,300, the Company has until May 1, 1975 the right to purchase the leased premises.

12. Unfunded pension costs :

Based on an estimate by independent actuaries, unfunded past service pension costs amounted to approximately \$358,000 at December 31, 1972. Annual payments charged to operations are designed to fund these costs by 1989.

Consolidated statement of changes in financial position

	Year ended December 31, 1972	Six months ended December 31, 1971
Source of working capital :		
Earnings before extraordinary items	\$ 2,970,414	\$ 856,988
Items not requiring working capital –		
Depreciation	951,680	329,747
Amortization of debenture discount and expenses	13,229	4,854
Amortization of patents	6,619	3,185
Deferred income taxes	(5,250)	18,000
Working capital provided from operations	3,936,692	1,212,774
Extraordinary items, net	6,212	(183,218)
Deferred income taxes on extraordinary items	113,000	—
Shares issued	—	608,562
Disposal of fixed assets	103,033	233,322
Long-term debt of subsidiary acquired	—	450,000
Mortgage loan	94,069	—
	<u>4,253,006</u>	<u>2,321,440</u>
Use of working capital :		
Fixed asset additions, less government assistance grant of \$125,589 in 1972	1,017,823	751,593
Proceeds of fire insurance deposited with trustee	895,591	—
Dividends	735,430	245,929
Cost of shares of subsidiary acquired over net book value	—	625,693
Reduction in non-current portion of long-term debt	129,047	4,987
Expenditures on patents	2,138	1,710
Decrease (increase) in minority shareholders' equity in subsidiary company	19,768	(35,127)
	<u>2,799,797</u>	<u>1,594,785</u>
Increase in working capital	1,453,209	726,655
Working capital at beginning of period	14,031,679	13,305,024
Working capital at end of period	<u>\$15,484,888</u>	<u>\$14,031,679</u>
Components of increase in working capital :		
Increase (decrease) in current assets –		
Cash	\$ 1,446,216	\$ (73,144)
Accounts receivable	(981,773)	1,197,488
Receivable from affiliated companies	(561,041)	162,941
Inventories	(654,303)	440,010
Tender deposits	423,028	19,652
Prepaid expenses and other deposits	(81,817)	147,913
	<u>(409,690)</u>	<u>1,894,860</u>
Decrease (increase) in current liabilities –		
Bank loans and overdrafts	2,410,443	499,224
Tender deposit loans	(91,542)	(45,750)
Notes payable – guaranteed by bank	563,000	(1,071,000)
Accounts payable and accrued liabilities	535,785	25,073
Payable to affiliated companies	902,447	(818,571)
Income and other taxes payable	(1,800,812)	497,535
Dividends payable	(6,422)	(4,716)
Provisions for losses	(650,000)	(250,000)
	<u>1,862,899</u>	<u>(1,168,205)</u>
Increase in working capital	<u>\$ 1,453,209</u>	<u>\$ 726,655</u>



F E D E R A L
P I O N E E R

Plants and Offices

Sales offices

1541 Barrington Street,
Halifax, Nova Scotia

Willow Street,
Truro, Nova Scotia

115 Wilson Road,
Moncton, New Brunswick

P.O. Box 9248,
Ste. Foy, Quebec

561 Maisonneuve Street,
Granby, Quebec

Bernard Road,
Granby, Quebec

3333 Cavendish Blvd.,
Montreal 261, Quebec

2627 Coleman Street,
Ottawa, Ontario

19 Waterman Avenue,
Toronto, Ontario

445 Horner Avenue,
Toronto, Ontario

255 Orenda Road,
Bramalea, Ontario

440 Elizabeth Street,
Burlington, Ontario

48 Blackfriar's Place,
Kitchener, Ontario

Suite 102, 425 Dundas Street,
London, Ontario

872 Bradford St.,
Winnipeg, Manitoba

101 Rockman Street,
Winnipeg, Manitoba

914 Douglas Street,
Brandon, Manitoba

1600 First Avenue,
Regina, Saskatchewan

21 Lindsay Drive,
Saskatoon, Saskatchewan

7144 Fisher Street,
Calgary 27, Alberta

11819 – 145 Street,
Edmonton, Alberta

5727 – 53A Avenue,
Red Deer, Alberta

255 Viking Way,
Richmond, British Columbia

Plants

Willow Street,
Truro, Nova Scotia

561 Maisonneuve Street,
Granby, Quebec

Bernard Road,
Granby, Quebec

19 Waterman Avenue,
Toronto, Ontario

445 Horner Avenue,
Toronto, Ontario

255 Orenda Road,
Bramalea, Ontario

101 Rockman Street,
Winnipeg, Manitoba

914 Douglas Street,
Brandon, Manitoba

1600 First Avenue,
Regina, Saskatchewan

5727 – 53A Avenue,
Red Deer, Alberta

255 Viking Way,
Richmond, British Columbia

Associated and subsidiary companies

Cornell-Dubilier Electric Corporation,
Newark, New Jersey 07101, U.S.A.

Eastech Limited,
Truro, Nova Scotia

La Compagnie Electrique Pioneer du Quebec Inc.
Granby, Quebec

Federal Pacific Electric Company,
Newark, New Jersey 07101, U.S.A.

Federal Electric (Holdings) Limited,
Wolverhampton, England

Federal Pacific Electric Ges. m.n.H.,
St. Martin/Innkreis, Austria

Federal Pacific Electric de Mexico, S.A. de C.V.
Mexico City, Mexico

FPE Australia Pty. Ltd.,
Liverpool, Australia

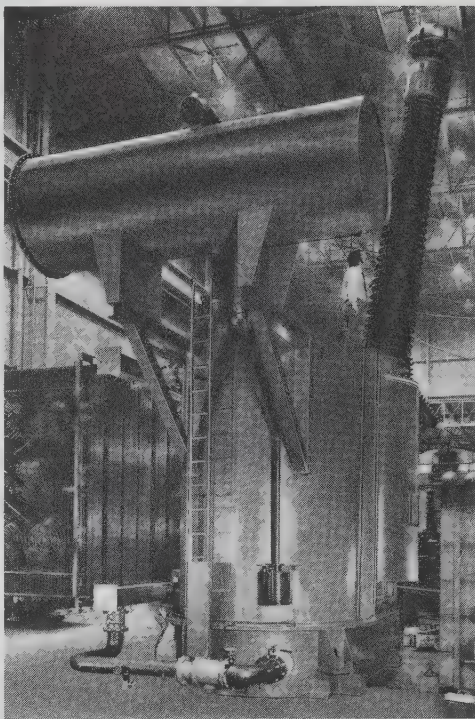
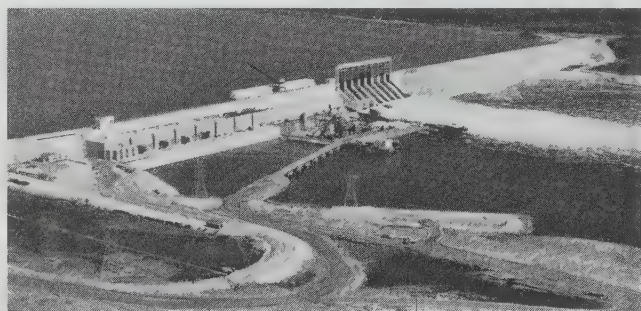
FPE South Africa (Pty.) Ltd.,
Johannesburg, South Africa

UTILITIES

Power transformers step up voltage at Generating Stations for transmission to populated centres, and then step down voltage for safe distribution.*

SERVICES PUBLICS

Dans les centrales électriques, les transformateurs survolent l'énergie pour sa transmission vers les centres habités, puis la réduisent pour en assurer la distribution sans danger.*



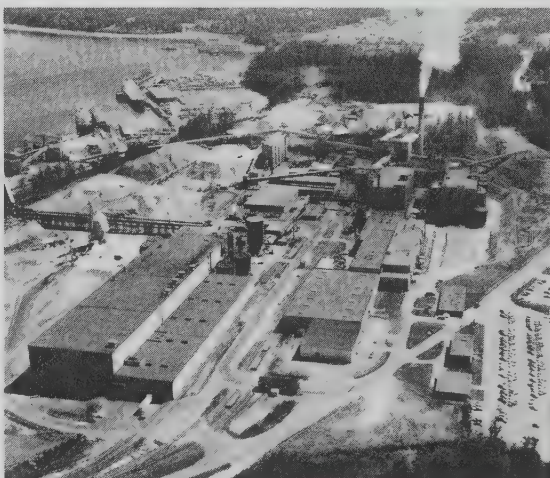
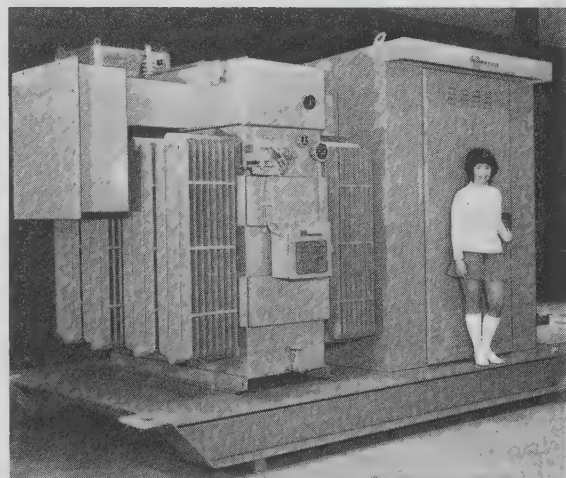
We're there..

INDUSTRY

Federal Pioneer sub-stations are used in both primary and secondary industry.

INDUSTRIE

Les sous-stations de Federal Pioneer sont utilisées à la fois dans l'industrie primaire et secondaire.



Sur les lieux... p

*Kettle Rapids Generating Station built by Kettle Constructors Joint Venture for the Manitoba Hydro

*Station génératrice à Kettle Rapids, construite par une jointe-entreprise de Kettle pour l'hydro du

ring the load



geant la charge

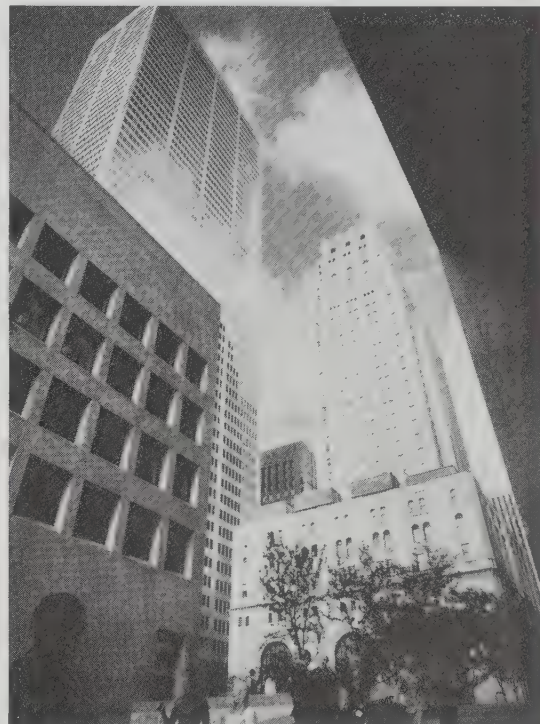
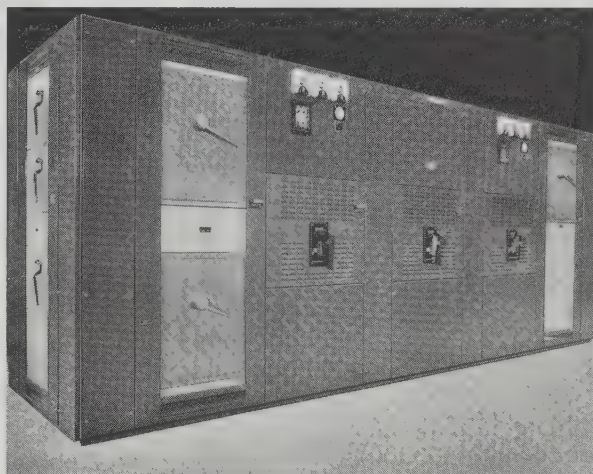
t conjoint
a.

COMMERCIAL

Indoor switchboards provide efficient distribution of power in commercial and institutional buildings.

COMMERCE

Des panneaux de commande intérieurs assurent la distribution rationnelle de l'énergie dans les édifices commerciaux et les établissements publics.

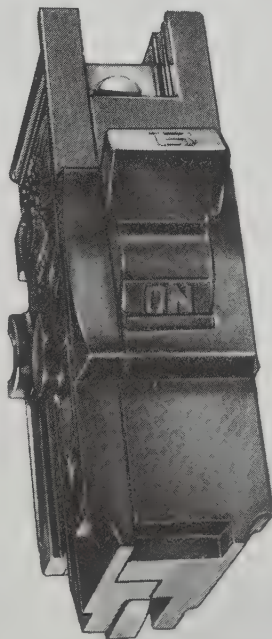


RESIDENTIAL

The dependable Stab-lok circuit breaker shares the load in countless homes. Electric heaters provide safe, clean, flameless comfort.

HABITATIONS

Le disjoncteur Stab-lok répartit la charge dans d'innombrables demeures. Les radiateurs électriques assurent un chauffage sûr, sain, sans flamme.



Usines et bureaux

Bureaux de vente

1541 Barrington Street,
Halifax, Nouvelle-Ecosse
Willow Street,
Truro, Nouvelle-Ecosse
115 Wilson Road,
Moncton, Nouveau-Brunswick
P.O. Box 9248,
Ste-Foy, Québec
561, rue Maisonneuve,
Granby, Québec
Bernard Road,
Granby, Québec
3333, boulevard Cavendish,
Montréal 261, Québec
2627 Coleman Street,
Ottawa, Ontario
19 Waterman Avenue,
Toronto, Ontario
445 Horner Avenue,
Toronto, Ontario
255 Orenda Road,
Bramalea, Ontario
3333, boulevard Cavendish,
Montréal 261, Québec
2627 Coleman Street,
Ottawa, Ontario
19 Waterman Avenue,
Toronto, Ontario
445 Horner Avenue,
Toronto, Ontario
255 Orenda Road,
Bramalea, Ontario
101 Rockman Street,
Winnipeg, Manitoba
914 Douglas Street,
Brandon, Manitoba
1600 First Avenue,
Regina, Saskatchewan
5727 – 53A Avenue,
Red Deer, Alberta
255 Viking Way,
Richmond, Colombie Britannique

Usines

Willow Street,
Truro, Nouvelle-Ecosse
561, rue Maisonneuve,
Granby, Québec
Bernard Road,
Granby, Québec
19 Waterman Avenue,
Toronto, Ontario
445 Horner Avenue,
Toronto, Ontario
255 Orenda Road,
Bramalea, Ontario
101 Rockman Street,
Winnipeg, Manitoba
914 Douglas Street,
Brandon, Manitoba
1600 First Avenue,
Regina, Saskatchewan
5727 – 53A Avenue,
Red Deer, Alberta
255 Viking Way,
Richmond, Colombie Britannique

Compagnies associées et filiales

Cornell-Dubilier Electric Corporation,
Newark, New Jersey 07101, E.-U.
Eastech Limited,
Truro, Nouvelle-Ecosse
La Compagnie Electrique Pioneer de Québec, Inc.,
Federal Pacific Electric Company,
Newark, New Jersey 07101, E.-U.
Federal Electric (Holdings) Limited,
Wolverhampton, Grande-Bretagne
Federal Pacific Electric Ges. m.n.H.,
St. Martin/Innkreis, Autriche
Federal Pacific Electric de Mexico, S.A. de C.V.,
Mexico
FPE Australia Pty. Ltd.,
Liverpool, Australie
FPE South Africa (Pty.) Ltd.,
Johannesburg, Afrique du Sud

Etat consolidé des changements dans la situation financière

Exercice terminé le	Semestre terminé le	
31 décembre 1972	31 décembre 1971	
\$ 2,970,414	\$ 856,988	Source du fonds de roulement :
		Bénéfices avant postes extraordinaires
		Postes ne nécessitant pas de fonds de roulement —
		Dépréciation
951,680	329,747	Amortissement de l'escompte et frais sur obligations
13,229	4,854	Amortissement des brevets
6,619	3,185	Impôts différés sur le revenu
(5,250)	18,000	Fonds de roulement en provenance de l'exploitation
3,936,692	1,212,774	Postes extraordinaires, net
6,212	(183,218)	Impôts différés sur le revenu sur postes extraordinaires
113,000	—	Actions émises
—	608,562	Vente d'immobilisations
103,033	233,322	Dette à long terme de filiale acquise
—	450,000	Emprunt hypothécaire
4,253,006	2,321,440	Utilisation du fonds de roulement :
1,017,823	751,593	Additions en immobilisations, moins subsides gouvernementaux de \$125,589 en 1972
895,591	—	Produit de l'assurance-incendie déposé entre les mains des fiduciaires
735,430	245,929	Dividendes
—	625,693	Coût des actions acquises d'une filiale par rapport à la valeur nette comptable
129,047	4,987	Réduction de la tranche non en cours de la dette à long terme
2,138	1,710	Frais sur brevets
19,768	(35,127)	Diminution (augmentation) de l'avoir des actionnaires dans une filiale
2,799,797	1,594,785	Augmentation du fonds de roulement
1,453,209	726,655	Fonds de roulement au début de l'exercice
14,031,679	13,305,024	Fonds de roulement en fin d'exercice
\$15,484,888	\$14,031,679	Eléments d'augmentation du fonds de roulement :
		Augmentation (diminution) de l'actif disponible —
		Encaisse
		Comptes à recevoir
		A recevoir des filiales
		Stocks
		Dépôts pour soumissions
		Frais payés d'avance et autres dépôts
		Diminution (augmentation) de l'actif disponible —
		Emprunts bancaires et découverts
		Emprunts pour dépôts pour soumissions
		Billets à payer — garantis par la banque
		Comptes à payer et exigibilités courues -
		A payer aux filiales
		Impôts sur le revenu et autres taxes à payer
		Dividendes à payer
		Provisions pour pertes
		Augmentation du fonds de roulement
\$ 1,453,209	\$ 726,655	
1,862,899	(1,168,205)	
(650,000)	(250,000)	
(6,422)	(4,716)	
(1,800,812)	497,535	
902,447	(818,571)	
535,785	25,073	
563,000	(1,071,000)	
(91,542)	(45,750)	
2,410,443	499,224	
(409,690)	1,894,860	
(81,817)	147,913	
423,028	19,652	
(654,303)	440,010	
(561,041)	162,941	
(981,773)	1,197,488	
\$ 1,446,216	\$ (73,144)	

Bilan consolidé

ACTIF		1972	1971
Disponibilités :			
Encaisse		\$ 1,475,821	\$ 29,605
Comptes à recevoir		11,697,493	12,679,266
A recevoir des filiales		33,150	594,191
Stocks (Note 4)		15,302,808	15,957,111
Dépôts sur soumissions		587,219	164,191
Frais payés d'avance et autres dépôts		445,920	527,737
Disponibilités détenues par les fiduciaires (Note 5)		29,542,411	29,952,101
—		895,591	—
Immobilisations, au prix coûtant :			
Terrains		471,452	441,801
Edifices		5,293,854	5,126,743
Machines et équipement		7,843,618	7,415,793
Moins : Amortissement accumulé		13,608,924	12,984,337
		6,053,128	5,391,651
		7,555,796	7,592,686
Excédent du coût des actions par rapport à la valeur nette aux livres		2,032,519	2,032,519
Brevets		54,777	59,258
Escompte non amorti et frais sur obligations		135,652	148,881
		\$40,216,746	\$39,785,445
PASSIF			
Exigibilités :			
Dette bancaire —		\$ 905,735	\$ 3,316,178
Emprunts d'exploitation et découvert		211,292	119,750
Emprunts pour dépôt sur soumissions		2,508,000	3,071,000
Effets à payer — garantis par la banque		6,020,630	6,556,415
Comptes à payer et frais courus		697,986	1,600,433
A payer aux filiales		2,682,083	881,271
Impôts sur le revenu et autres taxes		131,797	125,375
Dividendes à payer		900,000	250,000
Provisions pour pertes (Note 9)		14,057,523	15,920,422
Impôts différés sur le revenu (Note 6)		570,800	463,050
Dette à long terme, moins tranche en cours (Note 7)		4,770,061	4,805,039
Avoir des actionnaires minoritaires dans les filiales (Note 1)		24,859	44,627
AVOIR DES ACTIONNAIRES			
Capital-actions (Note 8)			
Actions privilégiées d'une valeur au pair de \$50, délibérantes, émises en série —			
Autorisées — 160,846 actions dont 40,846 de préférence, à 5½%,			
cumulatif, convertibles, classe A			
En circulation — 40,846 actions de préférence, classe A (1971 — 45,231 actions)		2,042,300	2,261,550
Actions de classe A, sans valeur nominale ni valeur au pair, délibérantes —			
Autorisées — 3,156,616 actions			
En circulation — 705,385 actions (1971 — 632,245 actions)		4,674,187	4,411,636
Actions de classe B, sans valeur nominale ni valeur au pair, délibérantes —			
Autorisées — 1,500,000 d'actions dont 222,400 ont été émises et converties en actions			
de classe A			
En circulation — 356,108 actions (1971 — 411,708 actions)		277,345	320,646
Bénéfices non répartis		20,793,503	18,552,307
		13,799,671	11,558,475
		\$40,216,746	\$39,785,445

Approuvé au nom du Conseil d'administration

(signé) B. W. Ball, Administrateur

(signé) E. W. Darby, Administrateur

31 décembre

Etat consolidé des bénéfices

Exercice terminé le	31 décembre 1972	Semestre terminé le	31 décembre 1971
Ventes nettes	\$55,265,422	\$25,063,376	
Bénéfices avant déduction des postes ci-dessous	\$ 7,493,557	\$ 2,452,800	
A déduire :			
Dépréciation	951,680	329,747	
Amortissement des brevets	6,619	3,185	
Amortissement de l'escompte et des frais sur obligations	13,229	4,854	
Intérêt sur dette à long terme	300,025	150,827	
Rémunération versée aux administrateurs et aux cadres	331,993	210,199	
	1,603,546	698,812	
Bénéfices avant impôt sur le revenu et postes extraordinaires	5,890,011	1,753,988	
Impôts sur le revenu (Note 6)	2,919,597	897,000	
Bénéfices avant postes extraordinaires	2,970,414	856,988	
Postes extraordinaires moins impôts sur le revenu en rapport (Note 9)	6,212	(183,218)	
Bénéfices nets pour l'exercice	\$ 2,976,626	\$ 673,770	
Bénéfices par action, classes A et B (Note 10) :			
Avant postes extraordinaires	\$2.70	\$.79	
Après postes extraordinaires	2.71	.60	
Bénéfices dilués par action (Note 10) :			
Avant postes extraordinaires	2.40	.71	
Après postes extraordinaires	2.41	.56	

Etat consolidé des bénéfices non répartis

Exercice terminé le	31 décembre 1972	Semestre terminé le	31 décembre 1971
Solde au début de l'exercice			
Plus : Bénéfices nets pour l'exercice			
Moins :			
Dividendes déclarés			
Sur premières actions de préférence, 5½% - \$2.75 par action (mi-année 1971 - \$1.375)			
Sur actions de classe A - 56¢ par action (mi-année 1971 - 28¢)			
Sur actions de classe B - 56¢ par action (mi-année 1971 - 2.8¢)			
Solde à la clôture de l'exercice			

Rapport des vérificateurs

Aux actionnaires de

Federal Pioneer Limited:

Nous avons examiné le bilan consolidé de Federal Pioneer Limited et de ses filiales au 31 décembre 1972, ainsi que les états consolidés des bénéfices, des bénéfices non répartis et des changements intervenus dans la situation financière pour l'exercice terminé à cette date. Notre examen a comporté une revue générale des procédés comptables ainsi que les sondages des livres et pièces comptables et autres preuves à l'appui que nous avons jugés nécessaires dans les circonstances.

Jugés nécessaires dans les circonstances.

A notre avis, ces états financiers présentent fidèlement la situation financière des compagnies au 31 décembre 1972, ainsi que les résultats de leurs opérations et les changements intervenus dans leur situation financière pour l'exercice clos à cette date, conformément aux principes comptables généralement reconnus, appliqués de la même manière qu'au cours de l'exercice précédent, sauf en ce qui concerne le changement pour lequel nous sommes mis d'accord sur la dépréciation décrite à la note 3.

Toronto, Ontario
le 9 mars 1973

(Signé) Price Waterhouse & Co.
Comptables agréés

pour transmission du courant alternatif et continu ont été expédiés à plusieurs entreprises canadiennes de services publics, et nous avons déjà des commandes pour la production future. Nous avons passé un contrat avec la British Columbia Hydro and Power Authority pour la fourniture de treize transformateurs 157MVA monophasés de 500,000 volts destinés à l'exécution du projet de barrage Mica. Cette commande est une des plus importantes qui n'aient jamais été passées au Canada à un seul fournisseur de cette catégorie de produits. Il va sans dire que la réputation de la compagnie tant au point de vue rendement que qualité des neuf transformateurs d'une commande antérieure destinée au projet Portage Mountain a fortement influencé la décision de nos clients.

La fabrication de cet équipement nécessite un strict contrôle de la qualité et la compagnie a élaboré et installé un système d'assurance de la qualité qui exige un personnel extrêmement qualifié, mais le succès a été retentissant. C'est pourquoi l'usine de Winnipeg n'a connu aucune panne lors des tests qui se sont prolongés sur une période de douze mois et ce succès reflète les louanges que nous rendons aux ouvriers et à l'efficacité de l'usine.

Des améliorations ont été apportées durant l'année à l'usine de Red Deer en Alberta grâce à des constructions et à des réaménagements permettant une augmentation du rendement d'environ quinze pour cent. De plus, des révisions ont été effectuées intérieurement à l'usine de Winnipeg dont la superficie s'est agrandie de 15,000 pieds carrés pour augmenter dans toute la mesure du possible le pourcentage de rendement.

Les efforts entrepris pour préserver l'environnement ont porté sur l'abaissement du bruit des transformateurs. La compagnie a pu, grâce à l'emploi de matériaux insonorisants, mettre au point deux barrières acoustiques qui, pour plusieurs transformateurs, se sont révélées satisfaisantes à l'usage pendant l'année. Le niveau sonore s'en est trouvé considérablement réduit.

En ce qui concerne les ventes d'exportation, le volume s'est maintenu à un niveau satisfaisant et tout laisse

prévoir que 1973 enregistrera encore une amélioration. En Angleterre, les opérations ont été profitables et les ventes ont augmenté en conséquence. Etant donné la situation économique en Australie nous avons subi une période de calme, mais les prévisions sont cependant optimistes.

A l'heure actuelle, les perspectives pour l'exercice 1973 semblent indiquer une amélioration sur le rendement de 1972. L'industrie de la construction, légèrement en perte de vitesse par rapport à 1972, atteindra apparemment un niveau satisfaisant. La construction d'utilités publiques progresse sur une large échelle et les acquisitions des fabricants en second devraient affermir l'activité sur ce marché particulier.

Les produits de la compagnie sont régulièrement préconisés par la plupart des ingénieurs conseils et l'appui des distributeurs d'appareillage électrique dans tout le Canada vient renforcer cette préférence.

C'est avec un profond regret que vos administrateurs vous communiquent le décès de M. T. P. N. Jaffray au début d'avril. M. Jaffray était membre du Conseil depuis 1964 et nous manquerons ses conseils et sa grande expérience.

Les employés de la compagnie, à tous les échelons, ont accompli leur tâche avec autant de dévouement que de compétence et le succès de 1972 dépend largement de leur loyauté et de leur assiduité.

Soumis au nom du Conseil d'administration

Avril 1973



B. W. Ball

Président et directeur administratif en chef

Rapport aux actionnaires

Les résultats d'exploitation de la compagnie ont battu de nouveaux records pour l'exercice clos le 31 décembre 1972 tant en ce qui concerne les ventes que les profits nets, et le rendement des capitaux investis a été plus élevé depuis plusieurs années. Bien que les affaires se soient ralenties considérablement dans le domaine de la construction industrielle qui constitue un important segment des activités de la compagnie, la demande des marchés de produits destinés aux services publics et aux constructions résidentielles a atteint un niveau très élevé. Les perspectives pour l'industrie électrique, semblent favorables par suite de l'accroissement de la demande d'énergie de toutes sources au Canada, qui progresse à la cadence annuelle d'environ quatre pour cent. Le taux d'accroissement annuel dans le secteur électrique de l'industrie de l'énergie est environ huit pour cent, et la participation électrique devrait continuer à un taux substantiellement plus élevé que celui de l'énergie dans son ensemble. De plus, l'intérêt manifesté par le public envers l'écologie, la pollution, la conservation et la consommation rapide des éléments d'actif non renouvelables, nous oriente de plus en plus vers une expansion accélérée du secteur électrique. Certes, l'introduction des éléments de contrôle de la pollution et des dispositifs de redressement nécessiteront de plus en plus d'énergie électrique. Nous nous attendons, d'ici à la fin du siècle, que plus de la moitié de l'énergie électrique produite au Canada soit le résultat de l'utilisation de sources nucléaires et, grâce aux réalisations auxquelles nous sommes arrivés dans ce domaine, il ne semble pas que nous ayons à craindre une pénurie de matières premières. Comparée aux autres formes d'énergie, la production d'électricité de source nucléaire n'exercera

sur l'environnement que le moins préjudiciable des effets. Par lettres patentes supplémentaires accordées à la compagnie le 30 novembre 1972, celle-ci a modifié sa raison sociale de FPE-Pioneer Electric Limited en Federal Pioneer Limited. Ce changement de nom a contribué dans plusieurs domaines à identifier la Compagnie auprès du public et à maintenir l'identité de ses anciens éléments constitutifs. De même, ce changement a aidé notre personnel préposé à la commercialisation à consolider et à combiner ses efforts collectifs aussi bien pour tous les produits que pour les usines, installations stationnaires et publicitaires portant le même nom. Dans la distribution des produits, une nouvelle gamme Pacemaker, très attrayante, d'enclaves Stab-lok a été introduite durant l'année, assurant la continuation de la position de suprématie adoptée par la compagnie vis-à-vis de cet important produit. Une nouvelle conception en matière de radiateurs électriques de plinthe a été commercialisée avec succès. Parmi les autres nouveaux produits on compte les relais de surintensité et un nouveau panneau de sauvegarde pour renforcer la protection contre les faillles dangereuses mises au point. nous participerons à une exposition attrayante, avec présentation audio-visuelle. Cette exposition qui sera montrée dans tout le Canada pour la promotion de l'industrie est connue sous le nom de "Electrical Showcase 73". C'est la plus importante exposition industrielle que l'industrie canadienne de l'électricité n'ait jamais entreprise et elle a été présentée à Moncton, Montréal, Winnipeg, Vancouver et Toronto. "Electrical Showcase 73" est en quelque sorte la réponse de l'industrie aux défis des années 70. Votre compagnie est l'un des principaux exposants. L'usine de Brandon au Manitoba, a été détruite par un incendie l'année dernière et nous avons loué, à Brandon également une nouvelle usine construite conformément aux spécifications, cette usine aura commencé à fonctionner à pleine capacité avant que vous ayez reçu ce rapport. L'expansion de l'usine de Toronto, sur l'avenue Waterman, a été prévue et approuvée, et les travaux seront achevés au cours de la première moitié de 1973. L'usine de Truro, en Nouvelle-Ecosse, a ouvert ses portes officiellement en septembre 1972 et fonctionne actuellement à plein rendement. La section d'équipement électrique de la compagnie a progressé d'une façon satisfaisante au cours de l'année et nous avons reçu d'importantes commandes pour toutes les catégories de matériel. Des transformateurs puissants

Résultats financiers

	Exercice clos le 31 décembre 1972	Semestre clos le 31 décembre 1971	Exercice clos le 30 juin 1970	Exercice clos le 30 juin 1969
Ventes nettes.....	55,265,422	25,063,376	50,815,670	36,904,989
Impôt sur le revenu, payé ou à payer	2,919,597	897,000	2,469,000	1,880,000
Bénéfice net après impôts et avant postes extraordinaires.....	2,970,414	856,988	2,162,546	1,572,971
Bénéfice net après postes extra-ordinaires.....	2,976,626	673,770	2,162,546	1,572,971
Pourcentage des ventes.....	5.4	2.7	4.3	4.3
*Bénéfice par action avant postes extraordinaires.....	2.70	.79	2.04	1.47
*Bénéfice par action après postes extraordinaires.....	2.71	.60	2.04	1.47
Nombre d'actions en circulation des classes A et B.....	1,061,493	1,043,953	1,002,501	979,115
Dividendes déclarés :				
Actions privilégiées.....	115,799	62,615	132,443	143,738
Actions de classe A.....	392,188	171,786	312,311	228,444
Actions de classe B.....	227,443	11,528	260,136	323,186
Propriétés, usine et équipement, net.	7,555,796	7,592,686	7,404,162	6,818,067
Fonds de roulement.....	15,484,888	14,031,679	13,305,024	11,542,611

*Calculés après prise d'effet du paiement des dividendes sur les actions privilégiées et compte tenu de la moyenne pondérée des actions en circulation pendant l'exercice.

Administrateurs

Benjamin W. Ball

John B. Clements, C.R.

Edward W. Darby

Martin Horwitz

Edwin Jacobson

Richard Noonan

Harold W. Thomson

Jacob S. Vanderploeg

Jack Wilder

Cadres

Richard Noonan

Président du Conseil d'administration

Benjamin W. Ball

*Président et directeur administratif
en chef*

A. Gordon Daley

Vice-président

B. J. Ferreira

Vice-président

Harry L. Livingstone

Vice-président

Thomas Shkordoff

Vice-président

Kenneth J. Thompson

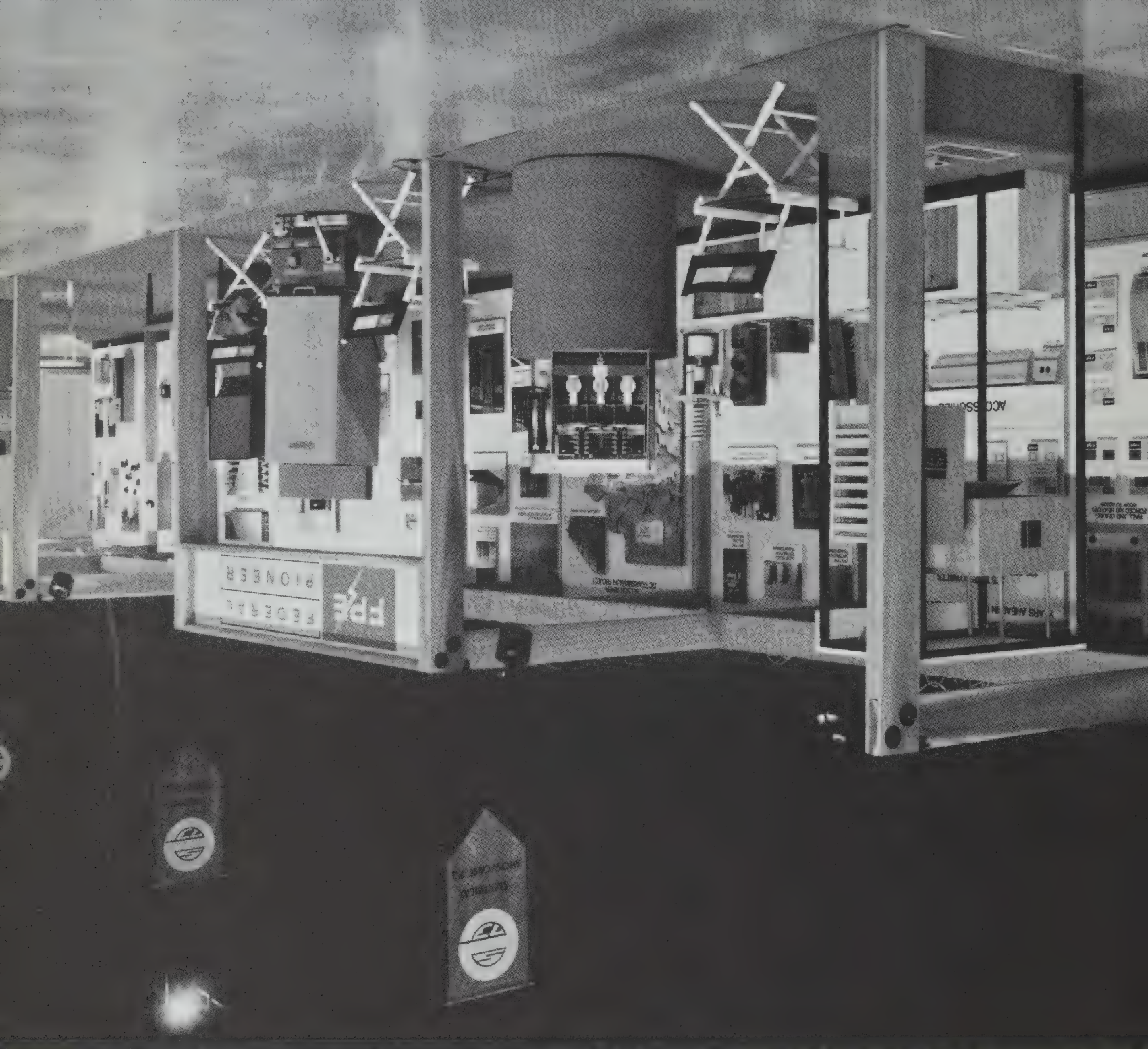
Vice-président

Edward W. Darby

Secrétaire et trésorier

Alan D. Amos

Contrôleur et secrétaire adjoint

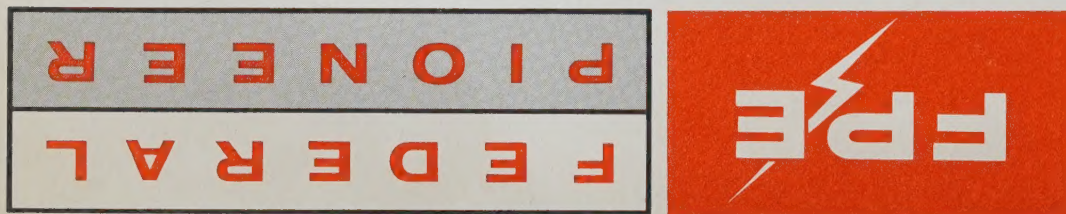


ELECTRICAL SHOWCASE 73

Notre Kiosque à "Electrical Showcase 73" – la plus grande exposition commerciale qui n'ait jamais été entreprise par l'industrie canadienne de l'électricité.

L'assemblée annuelle des actionnaires de
Federal Pioneer Limited aura lieu au Salon
Willet Creek de l'hôtel Inn on the Park,
avenue Eglinton et rue Leslie à Toronto,
Ontario, Canada, le lundi 14 mai 1973 à
11 heures du matin (H.A.E.)

Federal Pioneer Limited
Rapport Annuel 1972



IF YOUR ADDRESS HAS BEEN CHANGED PLEASE FILL IN AND MAIL THIS FORM TO:

First Preference Shareholders

AR42

TRUST COMPANY, 110 Yonge Street, Toronto 210

L TRUST COMPANY, LIMITED, 21 King Street East, Toronto 210

STOCK REGISTERED IN NAME OF (TYPE OR PRINT)

NEW ADDRESS

OLD ADDRESS

DATE

Signature of Shareholder

(Sign name exactly as it appears on share certificate)

Corp report

FPE

Report to Shareholders

PE

For the six months ended June 30, 1972

FPE - PIONEER ELECTRIC LIMITED

FINANCIAL DATA

	For six months ended June 30		
	1972	1971	1970
Net shipments	\$28,315,900	\$28,145,200	\$19,322,300
Net earnings before taxes	2,539,200	2,556,000	1,731,500
Provision for taxes	1,278,400	1,396,800	889,800
Net earnings after taxes	1,260,800	1,159,200	841,700
*Earnings per share	1.15	1.10	.78
Fully diluted earnings per share	1.02	.97	.70

*Calculated after giving effect to the First Preference Share dividends (1972—\$59,314, 1971—\$65,236, 1970—\$68,660). The weighted average number of Class A and Class B shares outstanding at June 30, 1972 was 1,047,645, at June 30, 1971—996,438, at June 30, 1970—989,322.

The above figures are subject to audit and year-end adjustments.

STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL

	Six months ended June 30	
	1972	1971
Source of working capital:		
Operations—		
Net Earnings	\$ 1,260,803	\$ 1,159,246
Charges not requiring a current outlay—		
Depreciation	375,087	378,163
Amortization of deferred charges—		
Debt discount and expense and patents	7,134	3,343
Deferred Income Taxes	—	(26,950)
	382,221	354,556
Total from operations	1,643,024	1,513,802
Disposal of fixed assets	—	21,557
Minority shareholders' equity in subsidiary company	306	—
	1,643,330	1,535,359
Application of working capital:		
Fixed asset additions	422,176	444,883
Dividends	471,725	477,020
Reduction in non-current portion of long-term debt	19,224	96,500
Additions to other deferred charges	13,426	—
	926,551	1,018,403
Increase in working capital	716,779	516,956
Working capital at beginning of period	14,031,679	12,788,068
Working capital at end of period	\$14,748,458	\$13,305,024